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West Europe Report

(FOUO 19/81)



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TERRORISM

INTERNATIONAL AFFAIRS

ETA SAID TO TRAIN TERRORISTS AT PYRENEES WITH USSR SUPPORT

Madrid CAMBIO 16 in Spanish 23 Feb 81 pp 49, 51, 53

[Article by Julio Alganaraz]

[Text] Since 22 January, when Italian President Sandro Pertini indirectly accused the Russians of pulling the strings of international terrorism (see CAMBIO No 480), an outbreak of new revelations and cases disinterred from the memory of newsmen, judicial circles and the world of espionage has spread like oil stains. The material is highly explosive, and the data demonstrate two incontrovertible facts: 1. there is at least a constant coordination between the far left groups that propose to subvert their national establishments by means of violence; and 2. the rear guard of these organizations consists of a network of sanctuary-countries closely linked with the Soviet Union.

The signals are not always clear, although evidence abounds. Giuseppe Venosta writes in IL MONDO: "The truth may perhaps be learned only on the third floor of a building with vaguely Moorish architecture, located at No 2 Dzerzhinskiy Square, in Moscow."

That is the location of the headquarters of the first general directorate of the Komitet Gosudarstvennoy Bezopasnosti [KGB], or "Committee for State Security," better known by its Russian initials, KGB. It is the leading center for espionage and counterespionage in the world, with over half a million agents scattered all over the world. It is the one which makes many of the vital decisions in the USSR, although, during the past 20 years, there has been a considerable expansion (at times even on a competitive basis) of the activities and functions of the "GRU" or Soviet secret military services. Located on the third floor of the building on Dzerzhinskiy Square are the offices of Yuriy Vladimirovich Andropov, aged 66 and undisputed head of the KGB, although he has no longer officially directed the organization for the past 3 years.

France Suspicious

The reports published currently in Italy stress that Andropov has always been careful to expose the USSR to the least possible extent in the inevitable conflicts that break out when the participation of foreign countries in terrorist activities is discovered. Hence, there is a genuine desire for what the Rome magazine L'ESPRESSO calls "the Union of Soviet Terrorist Republics: Cuba, Libya, the German Democratic Republic, South Yemen and the Palestinian Liberation Organization."

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To this list of sanctuaries, the Italians add France which, during recent years, has been a suspected country of refuge for so many European terrorists.. Last year, the French benevolence annoyed the president of the republic himself: With his usual blunt candor, Pertini complained of the inexplicable blindness of the trans-Alpine security services. The protest brought good results: A year ago, many Italian extreme leftist and extreme rightist terrorists were captured in Paris and the south of France.

Several terrorists who decided to cooperate with the Italian justice system, thanks to a law that reduces the penalty for "repentant" individuals who confess, have brought to center stage the history of one or two training camps organized in the French Pyrenees. In a letter to the magistrates who are trying him for the assassination of Judge Emilio Alessandrini, Umberto Mazzola, of "First Line," a ring related to the "Red Brigades," revealed that, in the summer of 1978, he participated in military exercises in Provence, along with other members of "First Line" and the Red Brigades. According to Mazzola (who is still at large, but is negotiating his arrest), the camps had been organized by the French "Action Revolutionnaire," although the instructors for teaching terrorist skills were members of ETA [Basque Fatherland and Liberty Group].

Terrorist Summit

Mazzola's statements were fully confirmed later by even more abundant disclosures. Roberto Sandalo, another "repentant" member of "First Line," revealed to the police that the summer training camps in August 1978 had also served to bring together a kind of summit meeting of French, Italian and Basque terrorist leaders. Sandalo claims that the account was given to him by Marco Donat Cattin (son of the Christian Democratic leader, Carlo Donat Cattin) who, with Corrado Alunni and Maurice Bignami, who was wounded in Tehran in a confrontation with the police, comprised the trio of "First Line" leaders. Donat Cattin, who was captured a few months ago in Paris (the Italians expect to obtain his extradition soon), told Sandalo that Alunni and Bignami had been in the camps in the Pyrenees, and that the Italians had been impressed by the efficiency of the ETA members who held the courses: (he said) "They gave us kilograms of explosives, they taught us how to fire 'Sten' machine guns and we learned many important techniques."

One mysterious figure aroused the curiosity of the investigators. His name is Sergio Sigio, he is 26 years old and he uses the battle name "Sirio." He was also in the Pyrenees, as technical-logistic head of "First Line." Cashier and administrator of the group's assets, "Sirio" stands out as a top-ranking personage in a series of incidents which are beginning to be discovered thanks to the disclosures of the "repentant" terrorists.

ETA Middleman

His name appears in particular associated with the delivery to Italian terrorists of 30 Kalashnikov assault rifles by Palestinian groups. The case is also of interest to the Spanish services, because Sergio Sigio may have served as a middleman for the supplying of weapons to ETA.

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The details are known thanks to the confession of Fabrizio Giai, who was arrested on 17 April 1980. Giai was a leader of "First Line." According to his account, it was in the summer of 1978 (when the camps in the Pyrenees went into operation) that the Soviet-made weapons were unloaded in a port in the Venice area from a ship which had departed from Beirut. Fabrizio Giai claimed that the "Kalas" (the name given to the Kalashnikovs in terrorist jargon) were immediately distributed, but "First Line" received only five "Kalas." According to his testimony, the "Red Brigades" received another five. And what about the rest? "They were for people who were not affiliated with the organizations," replied Giai.

This perplexing answer leads one to assume that the other Kalashnikovs had recipients who were beyond the Italian borders, or that there are "underwater" terrorists in existence. The weekly publication PANORAMA, based on the judicial investigation, claims that the "Kalas" could never have traveled without the permission of the KGB, because the Palestinians have to ask permission to send arms that the USSR assigns them to other recipients. Fabrizio Giai maintains that the rifles were "given freely and not sold."

It is known that Palestinian organizations are nurturing Italian terrorism. On the night of 7 November 1979, a police patrol arrested the leader of the "Workers Autonomy" group of Rome, Daniele Pifano, who was with another "Autonomy" member (Giorgio Baumgartner) in a square in the port of Ortona, on the Adriatic Sea. Pifano and Baumgartner were in a small truck, guarding a pair of Soviet "SAM 3" missiles, with their corresponding launching device. Another Italian and a Jordanian were also arrested. It is assumed that the materiel had arrived on a Lebanese vessel, which left the port of Ortona a few hours earlier. During the trial (Pifano was sentenced to 7 years in jail), the judges received a letter from the Popular Front for the Liberation of Palestine, headed by George Habbash, in which the organization claimed ownership of the missiles, and reported that the "Italian comrades" were merely acting as couriers, because the materiel was traveling through Italy "only in transit."

Repentant Terrorist

Patrizio Peci, chief of the "Red Brigades" in Turin and the most famous of the "repentant" terrorists, also claimed that many of the organization's weapons were shipped by the Palestinians. Peci recalled that Mario Moretti, the most wanted terrorist in Italy (he is considered the present chief of the "Red Brigades," together with Giovanni Senzani), took a 33-day trip by ship to Lebanon, in search of an arms shipment that he unloaded from a vessel near Chioggia.

In recent months, the concern has been concentrated on the activities of Col Mu'amar Qadhafi, one of the most obsessive leaders of the destabilization of the West. When the president of Italy visited Algeria a few months ago, the head of state of that country, Chadli Bendjedid, reportedly told him about the terrorist training camps of many countries (including the Italian and Spanish ETA ones) housed in Libyan territory.

This story, disseminated by the Italian press, reveals that it was the Algerian secret services that succeeded in detecting the camps and photographing several of their participants. The Algerian agents, dressed as desert nomads, with whom they

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were traveling, intermingled, drew an accurate map locating the paramilitary centers in Tarhunah, Cufra, Ghadames, Sebba, Sirte, Beida, Zonjur, Jedian, Im Wafaa, Tobruk, Az, Zauia and other locations.

In South Yemen, "whose only flourishing industry is friendly dependence on the Soviet Union," the best known training camps are those in Al Shaydah, Zingibar and Tawal. In Italy, it is recalled that ETA members captured last July by the Spanish people, who stated that they had been trained together with German and Italian youths, had been present there.

Cuba is also a very active center. The weekly publication L'ESPRESSO gives a reminder: "As early as 1962, Palestinian, German, Italian and Spanish terrorists began being trained there." In "The Terrorist Network," Claire Sterling claims that the Soviets trained most of the instructors who later became disseminated in the camps in Libya, Lebanon, Yemen and other places in Cuba. In 1968, the founder of the training operations in Havana was said to be KGB Col Vladimir Kochergin.

Protected by the CIA

No clue has attracted and caused so much discussion among the Italians, however, as Czechoslovakia. It is said that Gen Jan Sejna who, on 25 February 1968, fled to the West from Prague, where he had held the position of general secretary of the defense commission of the Central Committee of the Czechoslovak Communist Party, no less, recently arrived in Rome, protected by tight secrecy. Sejna, who was also first secretary of the Ministry of Defense for 4 years (he controlled the Armed Forces and the Secret Services on behalf of the party), crossed Hungary and Yugoslavia by car, before turning himself over to North American agents in Trieste.

Sejna, now protected by the CIA, revealed that Italian terrorists were being trained in the Doupov and Shumperk camps under the control of the "GRU" (military secret service of the USSR). Through him, the existence of Karlovy Vary, another base at which ideological indoctrination was added to military training, was discovered. Attending Karlovy Vary was Giangiacomo Peltrinelli, the famous multimillionaire publisher who died in the early 1970's when he was about to make an attack (the bomb that he was carrying exploded), as well as Alberto Franceschini, one of the founders of the "Red Brigades."

Claire Sterling believes that, in the European area, the goal of destabilization is aimed "at inflicting the heaviest blows on the democracies located along the strategic strip that extends from the Black Sea to the Atlantic: Turkey, Italy, Spain, Great Britain and the Federal Republic of Germany."

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ENERGY ECONOMICS

FRANCE

EFFORTS TO IMPROVE PETROLEUM RECOVERY REVIEWED

Paris LA RECHERCHE in French Feb 81 p 150

[Article: "The French Efforts"]

[Text] The petroleum companies' interest in improved recovery is nothing new. In the early sixties, injection of mixable gas was performed at Hassi-Messaoud, in Algeria. The results were remarkable: a 40 percent recovery was achieved, versus 16 percent for primary recovery. As a result, the process was extended to the larger part of the deposit, resulting in the most extensive application of this kind in the world. This experiment was eventually followed by participation in the enriched gas injection project at the Rainbow deposit in Canada (Aquitaine-Canada). Within the framework of an agreement with Romania, the French Petroleum Institute is participating in the development of the "in situ" combustion process on a heavy petroleum deposit in Romania. This important experiment (production of 300,000 tons per year) is a good illustration of the efficiency of this technique (45 percent recovery, versus 8 percent expected by the primary process).

In parallel with these industrial operations the French companies CFP (Compagnie Francaise des Petroles) and SNEA (P) (Societe Nationale Elf-Aquitaine-Production), along with the IFP (Institut Francais du Petrole) have started, either individually or together within the ARTEP (Association de Recherches sur les Techniques d'Exploitation du Petrole), important new research programs on new petroleum recovery techniques. This activity has increased following the sharp rise in the price of oil in 1973. Today, its objective is to give French industry the mastery of these techniques, not only for the most efficient exploitation of the national deposits (a few million tons of oil can still be recovered), but also to be able to act as operator in producing countries.

All techniques without exception are examined in the laboratory and in addition, wherever possible, they are applied on some deposits as so-called "pilot" operations.

Chemical methods (polymers and tensioactive products) are investigated with particular care. In addition to studies carried out in research centers, efforts in this area involve a number of production site experiments in France as well as abroad. As an example, we can cite the micro-emulsion followed by polymers project that SNEA (P), together with the IFP, recently carried out on the Chateaufrenard petroleum deposit, near Paris. It is a small deposit, discovered in 1958, which initially contained about 10 million tons of oil, 25 percent of which were produced through primary recovery processes using aquifer water sweep. The site consisted in four production wells located at the corners of a square 100 meters to a side, and a central injection well.

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The operation consisted of three phases: injection of 960 cubic meters of micro-emulsion (about 10 percent of the pores volume) in February and March 1978, injection of 13,000 cubic meters of polymers (in progressively decreasing concentrations) between April 1978 and November 1979, and injection of water until mid-1980.

The response of three of the producing wells was immediate and spectacular. In particular in two of them, the percentage of oil in the water + oil mixture jumped suddenly from 10 percent to 60 percent where it stayed for several months before beginning to decrease slowly.

The amount of oil produced from the beginning of the operation to the end of 1979 was 3825 m3, which corresponds to a gain of 2400 cubic meters from the volume produced by the primary recovery method. Calculations have shown that the overall coefficient of recovery (primary + improved) of the available oil is about 70 percent, as compared with 40 percent which could only be reached in about 30 years using the primary recovery process. The operation is considered a technical success, inasmuch as it demonstrated the efficiency of the process in a real situation. The management of Elf-Aquitaine is already preparing a new experiment on the same field, using the same technique. This time, it will no longer be a "method evaluation" experiment, but an industrial one. It will involve a much greater section of the deposit, will include more producing and injection wells spread out farther than previously from each other. The objective of this operation will be to analyze the scale effect, to optimize the microemulsion formula and the volume injected, and to evaluate the economics of the process.

Furthermore, in order to give their applied research a more theoretical basis, the oil companies informed the French fundamental researchers as early as 1973, of the new scientific questions brought up by the improved recovery of petroleum, and have asked them to help them better understand the basic phenomena. This request resulted in the setting-up of a "joint action" program organized and managed by the "Delegation Generale a la Recherche Scientifique et Technique (DGRST)."

More than 30 teams from the government, universities, and the National Center for Scientific Research are participating in this activity. Here again, the emphasis is on the products and methods involved in the recovery of petroleum by injection of polymers and tensio-active products. Important results have been obtained, particularly concerning the molecular structure and properties of microemulsions, and the nature of the polymers used.

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ECONOMIC

BELGIUM

COUNTRY'S ECONOMIC SITUATION ASSESSED

Brussels POURQUOI PAS? in French 19 Feb 81 pp 40-43

[Article by Jean Pourbaix: "Diagnosis by Clinical Expert From National Bank"]

[Text] "A farmer can harvest too much from poorly fertilized soil which he will thus be exhausting in order to produce; the portion reserved for seeds has been measured off rather penuriously; the rest, in spite of its abundance, is not enough; he purchased from his neighbor on credit." This simple passage in the report reproduced here rather neatly summarizes the fundamental thesis of this document which we might be advised to subject to a second reading. Once again, the message "submitted by the governor in the name of the Board of Governors"--even though the big boss of the FGTB [General Federation of Labor of Belgium] refused to countersign it--is among the clearest diagnoses which have so far been drafted on the troubles besetting the country's economic and financial organization.

To put it bluntly, the national economy is unbalanced basically as a result of the fact that the increase in consumption came faster than the increase in the national product and that worked out to the detriment of domestic investments and constituted a burden on the current foreign account.

Expenditures--both household and public consumption--greatly exceeded the national supply possibilities. In 1970-1973, the total volume of domestic expenditures came to 97 percent of the national product and the remaining 3 percent were used for net exports of goods and services. The same calculation, applied to the year 1980, reveals that all of the domestic expenditures came to 104.5 percent of the national product. The gap had to be covered through imports of goods and services.

Nevertheless, at least since 1975, it has not been the lack of indispensable production equipment which prevents the possibility of advancing rapidly to meet the inflation in the demand. On the contrary, unemployment, the underemployment of production capacities, and the disappearance of enterprises constitute as much evidence of the fact that resources are not in short supply in order to produce more if it had not become impossible to use them due to other factors which prevented the national supply from developing sufficiently, both toward the domestic market and toward the foreign market. These factors promoted imports and slowed the development of exports, thus contributing to the decline in the balance of trade.

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Two Major Handicaps

There are two major handicaps which at the same time pushed Belgian export and output down.

The first sprang from the sales structure. Belgium and the Grand Duchy paid too little attention to the changes in world demand and became stuck with the offer of products which were going to experience a decline in demand, in other words, the requirements for these products developed to a lesser extent than all of the manufactured products together. Moreover, the Belgian-Luxembourg Economic Union was less on the ball than its competitors on the geographic outlets which should have turned out to be particularly prosperous, especially the petroleum producing countries.

The second handicap, even more serious in terms of its effects than the first one, is inherent in the competitiveness of the Belgian-Luxembourg manufacturing industries which were greatly weakened as compared to the industries of the other industrialized countries.

The National Bank agrees that there were remarkable exceptions to this inferiority but, overall, the gains did not make up for the losses on the market. The latter were the consequence of a complex bunch of elements such as insufficient adaptation, throughout the entire period, to the evolution of needs; disappearance of exporting enterprises, eliminated by the lack of profitability; less dynamism in commercial penetration and, finally generally speaking, higher domestic costs compared to those of the competition.

Highly harmful to Belgian sales abroad, the decline of competitiveness of the manufacturing industries was bound to have a fatal effect also on the import volume. "The statistical data available," says the National Bank, "indicate that the union's domestic market has become 'internationalized' faster than that of the other industrialized countries. The fact is that, on the domestic market, which is wide open to competition, the Belgian-Luxembourg manufacturing industries suffered the same handicaps as they did in their sales on the world market." This was so bad that, between 1970-1973 and the year 1978, the imports of the UEBL [Belgian-Luxembourg Economic Union] increased in volume by a little more than 41 percent, as against less than 35 percent for those of all of the other industrialized countries.

Thus, by a both odd and dangerous paradox, the domestic demand remained unusually firm and strong in an economy which was experiencing a crisis and whose national income was affected by the troubles the manufacturing enterprises were having on the domestic and foreign markets.

If things did not get any worse, it was primarily due to the rate of increase in self-employed incomes. This is due to the fact that replacement revenues were created or distributed by the welfare state (if we may call it that).

This manna came from the development of employment in the public sectors, the vigorous advance in the total volume of unemployment compensation, and the expansion of government aid to enterprises in trouble.

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Total Financing Needs: From 505 Billions in 1978 to 660 Billions in 1980

In view of these rather unorthodox developments, we are rather startled to learn, from the National Bank, that the income available to private individuals (or "households," as the report says) reached a long-term high in 1980 and that it took up no less than 81 percent of the national product as against 76.7 percent during the period of 1970-1973.

As for government agencies, the increase in their operating, investment, and capital subsidy expenditures exceeded the albeit already considerable rate of increase of net tax revenues to such a point that the financial deficit of the "state" sector (in the broadest sense of the word) became even bigger.

This deficit represented an average of 4.9 percent of the national product during the years 1970-1973. In 1979 it came up to 9.4 percent and then in 1980 it was not far from 12 percent of a nevertheless higher product.

Here we must let the National Bank speak for itself.

"Expressing, in figures, the unforeseen results of an effort influenced by circumstances, shaken by international events, restrained by old decisions, modified by budget measures imposed by necessity rather than devised as a function of mature and coherent plans, the net financing needs of the government came to close to 410 billions in 1980 or, as we saw, not far from 12 percent of the GNP, as against 305 billions or 9.4 percent of the GNP in 1979. The total indebtedness of the government thus rose to an amount which we can estimate at more than 2.7 billions as of the end of 1980, much more than the official government debt figure of 1,957 millions, in other words, quite a bit less."

And if we put together the commitments undertaken by households, those of the companies, and those of the government agencies, the total financing requirements of these three sectors together rise from 505 billions in 1978 to 600 billions in 1979. In 1980, they would seem to have reached something like 660 billions.

We can see that, compared to these needs, the spontaneous contribution of funds on the domestic market has remained by far insufficient. Indeed, financial assets in Belgian francs held by private individuals and companies only came to 395 billions in 1980 or some 60 percent of the amount required. To these domestic savings we added the short-term sales of foreign capital assets attracted by Belgian interest rates, in other words, 125 billions. That nevertheless left us with a shortfall of 126 billions in 1980 as against 116 billions in 1979 and 53 billions in 1978. This shortage of funds was covered either by printing money or, which boils down to practically the same thing, through public loans floated abroad.

Caught in the Gears of Foreign Dependence

All domestic financing assets turned out to be short of the foreign exchange requirements of the parties involved and the gap had to be closed by using foreign capital.

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What the National Bank calls "the net loan of Belgium borrowed from the rest of the world" furthermore constitutes the exact counterpart of the deficit in the balance of current payments with foreign countries. That deficit literally mushroomed in the following fashion: 9 billions in 1975, 21 billions in 1976, 47 billions in 1977, 59 billions in 1978, 129 billions in 1979, and 195 billions (estimated) in 1980.

Parallel to that, the national economy's financial dependence on the outside world only grew worse down through the years. The appeal for funds from abroad, involving a rather minor amount in 1975, accelerated thereafter, each year reaching not only a higher amount but even a growing percentage of the current national product. For all of the last 6 years, the loans taken out abroad total a net amount on the order of 460 billion Belgian francs!

The burden which we are thus carrying will grow bigger along with further deficits in the country's balance of current payments.

"Right now," the National Bank underscores, "the portion involving interest on net loans over the past 6 years can be estimated roughly at something like about 50-55 billions or more than 1.5 percent of the current national product. Even the most cautious estimates, prepared right now, the way things look at this time, point to a Belgian foreign deficit which in 1981 would exceed the figure of 195 billions reached last year. In that case, the cumulative amount for the 7 years ending at the end of 1981, including Belgium's net borrowing from the rest of the world, would be something like 660 billions. It is impossible to hope for a return to a balanced situation during the years immediately thereafter. Foreign borrowing will thus be bound to increase in the foreseeable future."

But what happens if this can be done only through a further increase in indebtedness or if the existing debts--including those with the Belgian banks, which their term makes unstable--cannot be renewed when they are supposed to run out?

In that case, which is not at all unlikely, it would be necessary to dig deeply into the official exchange reserves of the National Bank before--undoubtedly--coming up with a humiliating finding of insolvency. And the balance would have to be deposited with Belgian business.

A Heavy Inheritance for the Coming Generation

At the end of this deplorable inventory of open wounds in the sides of what our confreres recently called the Belgian "Titanic," the National Bank with good reason denounces the failings of those who allowed the real production capacity of the Belgian economy to decline.

"Improperly maintained, insufficiently modernized, sometimes managed with the help of old methods, under increasingly difficult conditions and in a paralyzing conflict situation, the country's industrial assets, hardly strong enough to begin with, declined to a disquieting degree. Too many cracks in the wall were simply papered over and, what is even worse, this was done by mobilizing resources which should have been used for doing something new."

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The National Bank is also coming out against a policy which seems to let the country live on credit through the expedient of foreign loans and it charges just about everybody with having taken only the short view.

"We simply overlook the fact," it tells us, "that the progress of prosperity since 1975 was not earned but borrowed and that we are going to borrow even more tomorrow. We simply do not want to realize that, to the younger generations, by way of a heritage, we are going to pass on--not only a poorer production setup--but also the obligation to draw on the product of their activities exercised under worse conditions, in other words, the real resources necessary for the maintenance of their elders, who used to be active in the old days, who are becoming more and more numerous, and furthermore to guarantee the servicing of the foreign debts incurred by those elders."

The Bank quite justifiably maintains that it is not "preachifying or trying to be a Cassandra" in thus anticipating future developments. If we do not want to get stuck in a terrible deadlock, which is where we would wind up if we continue the way we have been, then the country must remedy the fundamental imbalances which threaten to topple it.

Next time we will examine the remedies recommended by this bank of issue.

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ECONOMIC

BELGIUM

MONETARY SOLUTIONS TO ECONOMIC PROBLEMS VIEWED

Brussels POURQUOI PAS? in French 26 Feb 81 pp 47-52

[Article by Jean Pourbaix: "The National Bank and Monetary Sorcery"]

[Text] The Belgian economy is shaken by profound imbalances--especially a big surplus in private and public expenditures over national supply possibilities--whose nature and extent were clearly identified in the last annual report of this bank of issue. The country must apply adequate remedies to these imbalances which are approaching the limit of the tolerable. Some people think we should get out of this mess through monetary manipulations. Others talk of devaluation; still others recommend a re-evaluation [upward evaluation] of the Bank's gold reserves at a price to be determined, with the "profits" from the transaction going to the treasury.

The idea of a devaluation has always been combatted energetically by the managers of the National Bank, by the way, with the unreserved support of the government. That idea emerged in the form of an adaptation to the official rate of the Belgian franc, in other words, 39.7897 FB [Belgian francs] compared to the ECU, within the framework of the European Monetary System.

"Neither the events of the past years," they write "nor recent articles have persuaded the Bank to revise its judgment; there must be no devaluation whatsoever."

Talk of Gold Reserve Upward Evaluation

That leaves us with the formula for the upward evaluation of the Bank's gold reserve, with the increase in value, in terms of francs, being turned over to the treasury. This idea, we know, is dear to former finance minister Henrion.

At first sight, the readjustment thus recommended looks entirely logical. Gold has gone into the coffers of the bank of issue at a price of \$35 per ounce of 31.10 grams. Since 3 July 1972, it has been there and has been booked at \$42.50 whereas, on the market, it is being sold at \$491.50 (rate as of 13 February in London). Is it rational obstinately to stick to the prehistoric rate of \$42.50 whereas the "real" rate is close to 12 times higher?

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The same calculations can be made in Belgian francs, as the National Bank did in its balance sheets and weekly situation reports.

Early in 1979, the National Bank had a gold stockpile of more than 1,324 tons (1,324,715 kilograms, to be quite precise). But that was before the launching of the new European Monetary System (the former snake having grown to the size of a boa) and that caused certain transfers of gold or dollars to be converted into ECUS in the "common pot" which is managed by the FECOM (European Monetary Cooperation Fund).

That gold was and is still being figured at the old price of 54.773 francs (plus dust) per kilogram of refined metal. It thus amounted to a value of 72,532,000,000 francs.

In March 1979, when the European Monetary System became operational, the Bank, like other members of the EMS, contributed 20 percent of its gold assets and 20 percent of its reserves in dollars to the BECOM (1).

By virtue of this fact, the Bank's gold reserves, reduced by about 265 tons, were diminished from 72,532 millions to 58,025 millions, an amount which has practically not changed since then.

In exchange for its gold and foreign exchange contributions (14.5 billion francs in gold and 21.2 billions in dollars), the bank of issue in March of 1979 received the countervalue of 70.8 billion francs in the form of ECUS (2).

Why this difference? Why this bonus?

For the good reason that the Belgian gold did not go into the FECOM at the old price of 54.753 francs but was figured--in line with the price at the London Bullion Exchange--at 209.227 FB per kilogram. Later on, Belgium's contribution of this yellow metal was re-estimated every 3 months and successively increased to 270.690 FB,

1. It must be noted that each central bank participating in the EMC has pledged to contribute to the FECOM 20 percent of its assets in gold and 20 percent of its gross reserves in dollars. During a period of transition, fixed at 2 years, these gold and dollar contributions will take the form of swaps against ECUS, renewable within 3 months, and liable to be recalled with 2 working days advance notice.
2. The ECU (European Currency Unit), a monetary unit adopted by the EMS, which took effect on 13 March 1979, is a "breadbasket"--others might call it a "cocktail"--made up of an assortment of currencies of the member states of the Community, that assortment comprising a certain number of units or fractions of units of each currency carried on the books.

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331.648 FB, 474.028 FB, 537.189 FB, 543.415 FB, and finally 571.779 FB per kilogram as of 8 January 1981 to take into account the development of gold prices on the market, each of these increases furthermore giving rise to a new allocation of ECUS in favor of the National Bank.

In summary, this important re-estimation of one-fifth of Belgium's gold reserves--from 54.753 FB to 571.779 FB per kilogram--was partly in line with the desires of the supporters of an overall upward evaluation of the Banks's metal reserves, except that it obviously did not involve any allocation, to the treasury, of the "profit" from the operation. It even exceeded their fondest hopes since the price of 571.779 FB, as of 8 January, was higher than the price of a 1-kilogram ingot (565.000 FB) at Brussels around the middle of February.

The National Bank's Gold, Atomic Shelter for the Belgian Franc

In any case, the charter of the IMF bars Belgium, like all of the other member countries, from fixing an official price for that metal. Legally, the Belgian authorities could do that however, that is to say, they could fix the gold accounting value in the books of the National Bank, following the example of most of the other countries of the EEC. But their authority does not go beyond. As for the rest,

all of the central banks, which made a re-estimation--purely in accounting terms, we repeat--of their gold reserves had to list, on the liability side of their balance sheet, as a counterpart to the rather precarious surplus that turned up, an unavailable reserve set aside for covering the possible gold decline.

This precaution certainly was not useless when we consider the broad range of fluctuations which have shaken the gold market for more than a year.

From the start of 1980 until mid-February of 1981, the price of an ounce of gold in London dropped from a high of \$835 to \$490, in other words, a drop of 41.30 percent.

We cannot rule out further declines in the price of gold, at least in short-range terms, now that the rather late hero of the westerns, who American has chosen as president, has openly hinted at a drop in gold; Reagan said that he rejoiced over the "interesting and encouraging" prediction of an expert according to whom "the price of gold will plummet" and go down to at least \$250 an ounce.

"It is true," people on Berlaimont Boulevard admit, "that the national economy could get along without borrowing so expensively from abroad, to the extent that the Bank would finance the final deficit in the balance of foreign payments by giving gold. Now, gold does not draw interest. Nevertheless, the additional value which the Bank's metal reserves earned over a few years certainly do turn into the most profitable of its foreign assets when we figure them at current market prices. Selling a large portion of the stockpile today would mean chopping off a reserve which helps guarantee the stability of the franc."

Let us recall in this connection that, according to statistics reported by the National Bank, the latter's net foreign assets as of the end of 1979 came to 604.4 billions based on the market prices in effect at that time. At the end of 1980, these reserves were estimated at 890 billions. This has persuaded Mr Eyskens, the finance minister, to say that the Belgian franc is the world's strongest currency, technically speaking.

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The Real Way to Salvation

After having excluded any phony monetary remedies, the National Bank is trying to figure out the way to go to restore the country's situation, to stop the economic decline, and to prevent a collapse of public finance.

The basic choice to be made or rather the only way which we have simply goes like this: "Either we lower the country's living standard below what it was or we increase its real assets to retain the living standard we have. That is obvious."

The option is quite clear; nevertheless, it is difficult to implement. "It is quite unrealistic to imagine a deflationary decline in expenditures, strong enough to raise the real purchasing power to what it was in 1975, so as to correct the domestic and foreign imbalances."

Out of these two possible ways, the National Bank is inclined toward the second one, that is to say, the development of resources and the performance in terms of supplies.

In other words, "we must produce better and at lower cost so as to produce more" and these higher-performance activities must become profitable for everybody and, on a priority basis, for business, be it private or public. Regardless of the quality of methods and the dynamism of the leaders, "this is not really possible if we apply good management methods and business, both private and public, is doomed to wilt or to cost the national community as a whole, if profitability is too mediocre or if its profits, when challenged, cannot be devoted sufficiently to the financing of its development."

But this restoration of enterprise profitability creates two conditions.

The first one is that the movement of real wages, for the time necessary for the rescue operation, remain within the limits marked by the growth of the national product available for domestic spending. "If the transfer of business-investor earnings to the household-consumers continues, the slow wearing away of the production capital would continue and would dislodge the foundation on which jobs are built with prosperity."

The second condition resides in a tax and paratax reduction by the government on industrial costs. An in-depth review of the tax situation of enterprises could contribute to economic growth, by reducing the expenditures of each of those enterprises.

Finally, the National Bank does not conceal its worry about the decline in public financing and the obstacles which it is liable to run into in trying to restore the Belgian economy.

Regardless of what the difficulties might be--and they are very great indeed--in connection with a restoration based on expenses, essentially consumption and transfer expenses with reference to the national product, we must in the end decide to go that way. Because, if we had to guarantee the restoration by raising taxes, which are already among the highest in the European community, then "the fear might be expressed that this way is not the right way to revive the spirit of enterprise or to motivate an effort of personal advancement."

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How the Government Torpedoes the Belgian Stock Market

Among all of the world's stock exchanges, the one in Brussels in 1980 experienced the worst evolution, as proved by a comparison of the main stock exchange quotations below which we got from the Financial Bulletin of the Brussels Lambert Bank.

Once again, the average drop of 17.4 percent has been greatly exceeded in a number of sectors whose role is of the utmost importance in the Belgian national economy.

Development of Stock Exchange Quotations in 1980 (%)

	National Index	Corrected Index (1)
Italy	+ 65.09	+ 56.36
Japan	+ 7.51	+ 37.41
Canada	+ 25.12	+ 35.87
United Kingdom	+ 14.56	+ 33.19
United States	+ 14.13	+ 26.43
France	+ 9.06	+ 6.17
Switzerland	+ 3.07	+ 0.87
Low Countries	+ 0.59	- 1.99
Germany	- 2.07	- 5.86
Belgium	- 17.40	- 17.40

(1) Index corrected for foreign exchange variations compared to Belgian franc at year's end.

The drop, according to the Financial Bulletin, did not spare the traditional sectors considered to be shielded, such as the financial sector (down 25.4 percent) according to the BBL [Brussels Lambert Bank] index) and the public utilities (down 25.9 percent) which were hard hit by the taxation revision bills concerning the revenues of the mixed intercommunity companies.

The sector indexes of the Brussels Stock Exchange Commission reveal that the biggest decline is to be found in the steel industry (down 47.6 percent), electricity trusts (down 31.7 percent), banks (down 28.1 percent), electricity-gas-water (down 24.5 percent), holdings (down 23.5 percent), paper (down 23.4 percent), beer breweries (down 23.3 percent), and insurance companies (down 21.9 percent).

What is more, this damage was done in just one year. If we look further back, we make some startling discoveries among enterprises still in operation. For Cockerill stockholders, whose portfolios went down by 39 percent in 1980, the loss is 89 percent compared to the high of the past 10 years. The stockholders of Forges de Clabecq lost, respectively, 44 percent (in one year) and 87 percent (over 10 years) and those of Arbed lost 33 percent and 75 percent. Shareholders of holding companies currently at loggerheads with the economic affairs minister did not make out any better either: the total loss comes to 66 percent for those of the Brussels Lambert Group and 65 percent for those of the Societe Generale de Belgique.

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"A Verdict As Sad As It Is Pitiless"

In view of this decline in the country's real assets, one might be astonished that the volume of share trading on the Brussels Stock Exchange went up 19 percent in 1980 to reach the very respectable figure of 64.8 billion francs (as against 54.9 billions in 1979).

But let us not be mistaken. Those 65 billions in trading hardly involved more than 25 percent of the Belgian shares. On the other hand, buyer preference to the extent of about 75 percent went for foreign stocks registered with the Brussels Exchange. Moreover, transactions in Belgian securities were concentrated on an extremely small group of securities. Petrofina, for example, accounted for more than two-thirds of the transactions involving Belgian shares.

Thus, regardless of whether we are dealing with stock exchange quotations or a decline in share trading involving Belgian securities against foreign paper, the entire performance of the Stock Exchange in 1980 as during the preceding years--according to the expression of Mr Jean Reyers, chairman of the Brussels Stock Exchange Commission--looks like "a verdict as sad as it is pitiless, but pitiable for those who are responsible for it because this is the direct consequence of the progress of our enterprises and above all the lack of confidence which is arising among our fellow citizens in connection with everything that has to do with Belgium's economic-social management."

And that is the absolute truth.

Under the title "The Death of the Stock Exchange" (L'INVESTISSEUR PRIVE, January 1981), a financial periodical writes along the same lines as Mr Reyers: "We must not entertain any illusions. The Stock Exchange is not only the reservoir of national capital assets; it is also the barometer of business in general and, we might as well say, the plaque of honor of our economic and social officials. We are in other words facing a spectacular failure."

This is a double failure. First of all in the sense that, in the faithful mirror of the Stock Exchange, there is bound to be, to its horror, the very image of the typical Belgian economy and business system. Next, because this involves an incoercible force of deterrence acting upon both, Belgians and foreigners, who could come up with risk capital for the purpose of financing industrial initiatives.

Mr Jean Reyers Accuses

Chairman Reyers also is right a thousand times over in reaffirming that the real problem is "not the problem of the Stock Exchange as a tool but rather the problem of financing the enterprises, in other words, the problem of risk capital" (speech given by Mr Jean Reyers in the Brussels Stock Exchange Building on the occasion of the New Year).

Unfortunately, everything seems to have combined to cause this principle to fail, quite in defiance of the democratic rules of the game and to put a damper on the spirit of initiative by trapping it in the iron corset of bureaucratic restraints

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and government measures. In this kind of system, should we then be astonished-- Mr Jean Reyers might say--to observe a constant increase in taxation, representing a pure loss, in all of its forms and by all means, reaching insane levels, in spite of all of the election promises which are always repeated and then denied one after the other?

The chairman of the Stock Exchange Commission continued his inquiry in terms which deserve being quoted extensively:

"What have we not done and what are we still doing in thus losing our place in the world of finance, including our economic and social interest, to the benefit of other places and tax havens to whose development we have contributed so much, to the detriment of all of our fellow citizens?

"Can one imagine that these countries will ever be tempted to import these methods, contributing so greatly to our financial difficulties and lacking realism, the sort of thing which alone can give us experience and can create responsibility among experienced managers?"

Mr Reyers mentions some of the most hateful acts of aggression committed recently by the government or by policy-making officials against major segments of investment savings and he contrasts them against the official statements made simultaneously in support of risk capital and the good deeds it has done!

This also produced the following pertinent statement from the lips of the chairman which we have selected here to conclude our article:

"Indeed, are our leaders aware of this incoherence and its consequences? If we do not reverse a certain policy, who--Belgian or foreigner--would still want to invest in Belgium in any form whatsoever? Who, if he can, would not on the contrary be tempted to pull his investments out of Belgium?"

Brussels Lambert Bank: Profit Dropping 57 Percent

The general stockholders' meeting of the Brussels Lambert Bank was convened to approve the 1979-1980 balance sheet, with the year ending as of 30 September.

The profits as of that date showed a heavy decline; they came to 303.7 millions as against 705.6 millions for the preceding fiscal year, in other words, a drop of 57 percent.

With an increase in the profit carried forward (77.5 millions), the available profit came to 381.2 millions which should be broken down with 215.2 millions going to the reserves and 166 millions being carried over once again. Stockholders were not given any dividends.

Questioned as to the future profitability of BBL, Mr Jacques Thierry, bank president, noted that, during the last quarter of the fiscal year just ended, the profit margin began to improve as a result of the institution of a severe expenditure reduction program. The cash flow for the first 3 months of FY 1980-1981 is considerably better

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than what it was during the corresponding period of time in 1979-1980. However, this improvement is not enough when it comes to restoring profitability completely although this net trend reversal does permit us to have increased confidence in the future.

National Investment Company: 18 Years to Produce Its First Dividend

From one year to the next, the net profit of the SNI [National Investment Company] rose from 101.2 million to 330.7 million francs. This result was devoted primarily to strengthening the reserves in an amount of 243.7 million francs. The remainder of 87 millions was allocated--for the first time since the institution's establishment in 1962--to the remuneration of capital of which the government is the principal holder.

The advance in the profit result particularly reflects an increase in earnings resulting from financial capital tieups which come to 7.3 billion francs and which generated 463.7 million in dividends, interest, and other earnings as against 355.4 millions during the preceding fiscal year. On the other hand, the public holding company achieved a surplus of 156.6 millions (against 36 millions) from the sale of tied-up assets, such as "Ibel" and "Carlam." Furthermore, on the expenditure side, the item under the heading of "amortizations, value reductions, and risk commissions," was brought down from 363.3 millions to 268.1 millions.

The presence, on the assets side of the balance sheet, of 2.03 billion in "available securities" has persuaded some people to wonder whether it was not the short-term sale of these dormant assets that would have made it possible to make the results of the SNI look better.

"That is not at all the question," argued Mr Henri Neuman, SNI president. "These available assets are intended to finance the operations we have decided on but not yet carried out, and they involve something like 3 billions. As a matter of fact, we have too little available in the way of ready assets."

This is why the institution's capital was increased in May 1980 from 9 billion to 10 billion francs. Adding the reserves and the surplus from re-evaluation to that, the assets of the SNI come to more than 11 billion F as of the end of the fiscal year. Besides, a law passed on 4 August 1978 guarantees government backing for new capital increases in an amount of 2 billion francs.

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ECONOMIC

UNITED KINGDOM

BRIEFS

EXPORTS INCREASED TO IRAQ--British exports to Iraq are increasing rapidly despite the outbreak of war with Iran last September. In January, exports were worth 44M pounds, double the figure for the same month last year. In 1980, exports were 320M pounds compared with 201m pounds the year before when British trade was hit by an Iraqi embargo on new contracts with UK companies. This was in response to the expulsion of 11 Iraqi diplomats and others from Britain. The UK has seldom had much success in winning big construction contracts in Iraq, and most exports are industrial goods, vehicles and pharmaceuticals. This has proved fortunate, since big construction projects have been worst hit by the war and the difficulties of bringing large quantities of equipment and construction materials overland through Jordan, Turkey or Kuwait. The UK had some success recently, however, in winning medium-sized sub-contracts such as that awarded to Paterson Candy International, a subsidiary of Portals Holdings, to supply and erect mechanical and electrical plant for the Karkh water system in Baghdad in a 45m pound deal. The Iraqi Government is anxious to show that the war is not impeding the country's economic development and has recently awarded a number of big contracts including that for the 621M pound Mosul dam. Its reserves, estimated to be \$30BN, are well able to cover the cost of imports over the next two years even though its oil exports have been cut from 3.5M barrels a day of crude before the war to about 600,000B/D. [Text] [LD241415 London THE FINANCIAL TIMES in English 27 Feb 81 p 6]

TRADE COMMISSION MEETING--Moves to erode the barriers holding back the growth of British exports to Romania will be initiated today by the Department of Trade officials as the eighth session of the UK-Romania joint commission begins a week-long meeting in London. The Romanian delegation will be led by Mr A. Margaritescu, state secretary at the Ministry of Foreign Trade, while the UK delegation, which includes industrialists, will be led by Mr Gavin Dick, under-secretary at the Department of Trade. The major British concern will be to soften the Romanian attitude on counter-trading, the habit of paying for purchases with other goods. Although counter-trading has become part of normal commercial relations with some Eastern European countries, Western companies frequently have problems finding markets for the Romanian goods, especially during the recession. And it is often not clear in advance with what goods the Romanians wish to counter-trade. Romania is expected to seek co-operation on energy conservation plans. [Text] [LD021551 London THE FINANCIAL TIMES in English 2 Mar 81 p 3]

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POLITICAL

FRANCE

DISSIDENT, FORMER PCF MEMBERS REACT TO MARCHAIS' CANDIDACY

Kehayan on Election Probabilities

Paris PARIS MATCH in French 27 Feb 81 p 43

[Interview by Lilliane Gallifet with Jean Kehayan, former dissident PCF member and author of "La rue de proletaire rouge"; for additional information on Marchais candidacy and dissident reaction see JPRS 77710, 31 Mar 81, No 1724 of the WESTERN EUROPE REPORT, pp 36-44.]

[Text] [Question] How do you interpret the PCF fights during these last few weeks against what they call immigrants and drugs?

[Answer] I would not have imagined that it could go this far. It is the harshest kind of Stalinism. I am the son of first generation Armenian immigrants. If Marchais had been in power in 1915 I would not be in France today. As for drugs, I see them as an infinitely less important plague than the mass alcoholism in the USSR and Poland about which the PCF has never made the slightest comment for 63 years. However, since last summer vodka consumption has decreased by around 30 percent in Poland. When a little democratic activity is instituted, the number of drunken brutes subsides.

[Question] Do you think that this will "pay off" election-wise?

[Answer] I wrote "Le tabouret de Piotr" when I heard Marchais say in Moscow "I have chosen to act on drugs." In my opinion it was clear that the PCF was going to enter into an unrestrained demagogic campaign to try and win the votes it was going to lose among intellectuals. This type of campaign could bring in two or three times more than their losses. All the Mr Smiths out there appreciate hearing tough talk.

[Question] Is the PCF going to find its way to the 20 percent level?

[Answer] I think so. If it gets 20 percent, that is a triumph. If it gets 18 percent, that will be explained by the "formidable anticommunist campaign" it has had to face. Below 18 percent is clearly a repudiation of Marchais and his team. So the stakes are very important.

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[Question] Is Marchais' not going to Moscow for the 26th Soviet Party Congress a turning point?

[Answer] It is only a sign that, in the opinion of the PCF leadership, to show evidence of "philo-Sovietism" would have an awful effect on public opinion. Besides, the explanation given for Marchais' trips abroad during the campaign being put off rules out any interpretation in the sense of it being a political stand, which is the case for Carrillo and Berlinguer. All during these last few years I still believed that the PCF was going to experience a slow process of desovietization. But there has been none of that. The PCF is much too afraid of losing its identity in that way. Philo-Sovietism is the last thing which distinguishes it from the Socialist Party. That is the whole point of my fight: since I returned from the USSR I have been thinking that if the left were to succeed in wresting the monopoly on antisovietism away from the right this would free up French political activity. How is this to be managed?

When I see all these young people who, just like me when I was 18 years old, are discovering social generosity and revolution in the party, who use exactly the same language, I despair. A wall separates us: it is impossible for me to convey my experience to them. Therefore I am going to try to gather all the communists who were excluded or resigned from the party to have a conference which will consider the phenomenon of that constant mass of 20 percent of the people who continue to vote communist as if there had never been a German-Soviet Pact, Budapest, Czechoslovakia, Afghanistan...When we know why they do, an important step will have been taken. And I hope that when a majority of the militants have come to understand through information and the economic crisis in the USSR that the PCF has lied, that there is nothing socialist in the USSR, and that socialism has never existed anywhere in the world, the PCF will finally experience the falling off which has been forecast for so long.

[Question] Do you think the Soviets are capable of invading Poland?

[Answer] I cannot imagine it. I know the Russians well and I know the Poles well: between those two peoples there is absolute hatred, while there was genuine friendship between the Czechs and the Soviets. If tanks were to enter Poland you would see mothers throwing their babies under the tank treads. I think that the USSR is looking for a way other than military intervention to normalize the situation. An invasion would give rise to slaughter.

[Question] Are the dissident French communists going to show themselves to be a genuine political force?

[Answer] I am going to try to make an appeal accompanied by signatures to people "not to vote for Marchais," but I do not have too many illusions about its significance. But I will continue this fight as long as possible. I feel that nothing can change without the PCF, and that nothing can change with the PCF as it is. And as long as Marchais' party does not break with the USSR it will remain as it is.

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New Anti-Marchais Offensive

Paris L'EXPRESS in French 14-20 Feb 81 p 87

[Article: "PCF: 'Ex'-Members Give Opinions"]

[Text] There is a new anti-Marchais offensive. Former communists -- and they number in the thousands -- are determined to make their voices heard in the presidential election chorus by publishing a harsh condemnation of the current party line and by appealing to all former communists to "insure victory for the candidate of the left which universal suffrage will put ahead on the first ballot." This is obviously Francois Mitterand.

Mitterand, however, is not named in this appeal. This is in order to allow communists who disagree with Marchais but remain in the party to sign it. Among the first people to sign are: the former head of the FTP [Francs-Tireurs et Partisans] a communist guerilla organization of French resistance during World War II] in Paris, Maurice Kriegel-Valrimont, ex-prefect Jean Chaintron, Alexandre Adler the historian, and Paul Noirot the journalist.

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POLITICAL

ITALY

INFIGHTING AMONG COLOMBO'S UNDERSECRETARIES

Milan EUROPEO in Italian 26 Jan 81, pp 21-22

[Article by Pietro Petrucci]

[Text] The Farnesina has its own "gang of four": one from the Socialist Party, one from the Republican Party, one from the Social Democratic Party, and one from the ranks of the Christian Democrats. They are Foreign Minister Emilio Colombo's deputies, and they force him to bow to party rule. The trouble is that they do not agree among themselves.

The Farnesina, one of the most revered buildings in Italy, is in danger of losing its reputation. Already upset by Arnaldo Forlani's decision to appoint no fewer than four undersecretaries for foreign affairs (one for each party in the government coalition), our diplomatic community is now absolutely numbed: never within living memory have the quiet corridors of the Foro Italico been trodden by so quarrelsome a gang of politicians, one so incompetent and so prodigal of confusion as the one made up by the four undersecretaries currently in office.

The protagonists in this drama: Florentine Christian Democrat Edoardo Speranza, a member of the rare species loyal to Colombo; Sicilian Republican Aristide Gunnella, the super-gossippy pupil of Ugo La Malfa; Craxian Senator Libero Della Briotta, a man of letters from Valtellina; and Social Democrat Costantino Belluscio, Giuseppe Saragat's protégé.

First hitch. The white ministry building, though capacious, has room on its second floor for only two deputy ministers. Immediately there was a free-for-all. The suave art of diplomacy was powerless (and rendered still more so by Colombo's determination not to let go of a single one of his ministerial chambers). It was settled, in the end, by invoking seniority. Gunnella and Speranza got second-floor digs, and Della Briotta and Belluscio had to look elsewhere.

The seniority escape-hatch did not last for long. When the second hitch came -- over distribution of responsibilities -- the donnybrook flared up again in earnest. According to tradition, Aristide Gunnella should have taken on responsibility for personnel assignment to and

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rotation from the plush jobs), leaving the others to handle technical cooperation and economic affairs. Gunnella, though, reared in the Sicilian school of patronage, is a man with an eye for the main chance: he fought tooth and nail to wrench technical cooperation (4.5 billion lire to spend by the end of 1983) away from Christian Democrat Speranza, and half of economic affairs away from the others. That was enough to mollify him.

Edoardo Speranza, who in order to get the biggest slice of the pie had conducted what was little less than an election campaign among all the top-ranking officials at the Farnesina, had to settle for running the ministry's career section and handling European affairs (a fairly crowded business which already has one minister (Enzo Scotti) hovering on its fringes with nothing whatever to do. The other half of economic affairs went to Social Democrat Belluscio, along with the consolation prize of cultural relations. That left Socialist Della Briotta with nothing but emigration (Italians abroad). Not enough: so he snagged Italian schools abroad (which properly come under cultural relations) away from Belluscio.

The noisy invasion of undersecretaries has irritated the permanent tenants of the Farnesina, who seem determined to put up stiff resistance against the encroaching quartet of undersecretaries and their respective gaggles of secretaries and gofers. The countermeasure: to discourage and report any favor or finagling by the new arrivals.

Now comes the juicy part. We start with Aristide Gunnella, determined to use his official position to be Italy's witness at Ronald Reagan's entry into the White House. Actually, there were no plans to send any government delegation. No problem: Gunnella bought a plane ticket and ordered the tickets (which had to be paid for) that would admit him to all the Washington inaugural parties. That's how American protocol works: anybody with a mind to can run down there and buy the privilege of shaking hands with the new president while the (hired) photographers record it all. Gunnella is one of his fans. Can't the Farnesina reimburse him for this expense? No, says the minister. But Gunnella won't let go. He sets up a mission to Latin America -- at government expense -- and announces that he will start his trip to South America... from Washington. Another turndown.

Such rigidity has an explanation, and it is not merely psychological. The department for technical cooperation with developing countries, Gunnella's opponent in this business, is an office that has waxed rich and fat of recent years. Several political parties have fought long and vainly to get its thousands of budgeted billions taken away from the direct (and scrupulous) management of the Farnesina. The idea was to create a special entity, a bandwagon agency. There is already talk of a sellout, and the fear is that Gunnella might be the man who will bring it off. Relentlessly, the officials who have to work with Gunnella are scouring the archives to find traces of his more compromising friendships, the misdeeds of the Sicilian Republic party, the train of events that split the Republican Party's Genoa convention in 1975 over Gunnella.

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That brings us to Costantino Belluscio, a resistance fighter at a tender age (he was born in 1930 to an Albanian-Calabrian family which moved to Cervia), journalist, and spokesman for the Quirinal under Giuseppe Saragat. To blunt the charges that he had nothing to do, he too took a trip at his own expense. He went to West Germany to inspect the consular offices there (and never mind that it was Della Briotta's job as part of this responsibility for the emigre community). He came home pleased with his trip, and with another one already in mind. This time the destination was to be Yugoslavia, and the ministry was to pay. Inexorably, the Farnesina regulars pressed him for a better explanation of the purpose of his mission to Belgrade.

The only one who succeeded in getting a junket paid for is Socialist Della Briotta. He went to Nigeria, why it is still not clear, since Enrico Manca (a fellow-socialist and minister for foreign trade) had been there only 10 days previously. There are thousands of Italian workers in Nigeria, argued his people. From there he went to Senegal, a delightful country in winter, but woefully short of Italians. The Italian ambassador to Senegal, Claudio Moreno, who is also accredited to the tiny republic of Cape Verde, did not miss his chance to take "the top representative of the Italian government" on a visit to the archipelago. What in the world was Della Briotta, protector of the Italian community abroad, doing in a country where no Italians live and which, in addition, exports thousands of domestic servants to Italy every year? That's an easy one: working out an "agreement on the social security rights of workers emigrating to Italy." Since then, Della Briotta has been undersecretary for emigration and immigration.

This is not the end of the tale. Jealous of Belluscio, Della Briotta now wants to go to Switzerland and Germany to meet with Italian expatriates there, and to thank the Swiss and German governments for the help they gave Italy at the time of the earthquake. The wry word around the ministry these days is: "We've got our own Gang of Four. These types are quite capable of coming to blows over a ticket to an inauguration."

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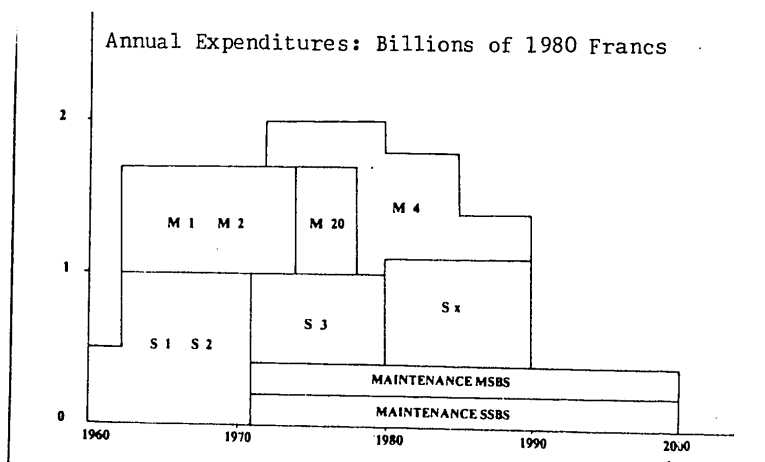
FRANCE

ERRATUM: SEVERAL LIMITS ON DEFENSE ESTABLISHMENT VIEWED

Paris PARADOXES in French Apr-May 80 p 76

[Article by Roger Chevalier and Pierre Dabezies: "Technical, Industrial and Financial Capabilities for Defense"]

The following chart should be inserted into the blank space on page 18 of the article entitled "Several Limits on Defense Establishment Viewed" which begins on page 13 of JPRS L/9564 of 23 February 1981, FOUO 10/81 of this series.



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